

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA  
DOCKET NO. 92-023-R - ORDER NO. 92-781✓

SEPTEMBER 14, 1992

IN RE:	Application of South Carolina	)	ORDER APPROVING
	Electric & Gas Company for	)	COACH FARE RATES
	Adjustments in the Company's Coach	)	AND CHARGES AND
	Fares and Charges, Routes, and	)	DISAPPROVING
	Route Schedules.	)	ADJUSTMENTS IN
		)	ROUTES AND ROUTE
		)	SCHEDULES

I.

INTRODUCTION

This matter comes before the Public Service Commission of South Carolina (the Commission) by way of an Application filed on March 12, 1992, by South Carolina Electric & Gas Company (the Company or SCE&G) whereby the Company seeks approval for proposed changes in its fares and charges for coach service and changes in routes and route schedules provided to its passengers in and around the cities of Columbia and Charleston, South Carolina.<sup>1</sup> According to the Company's Application, the proposed rates and charges which were attached to the Application and incorporated therein would have produced additional revenue of approximately \$1.7 million had

---

1. The Company's presently authorized rates and charges for passenger coach service were approved by way of Order No. 87-1394, issued on December 22, 1987, in Docket No. 87-332-T.

they been in effect for the twelve month period ending December 31, 1991. According to the Application, the Company proposed an increase in its schedule of fares and charges which would increase the cash fare on a one-way ride from 50¢ to 75¢, and would increase the elderly and handicapped fare on a one-way ride from 25¢ to 35¢, said new charges commencing September 14, 1992. The Company also proposed to reinstitute zones and zone charges whereby a passenger passing into the second zone, either in Columbia or Charleston, would pay an additional 25¢, and a person passing into the third zone (Charleston only) would pay a second additional 25¢. With regard to the elderly and the handicapped, an elderly or handicapped rider passing into the first zone would pay an additional 15¢, and such a rider passing into the third zone (Charleston only) would pay an additional 10¢. Further, the Company proposed to increase the charge for the ten ride card from \$4.50 to \$6.75 and increase the charge for the forty ride card from the current rate of \$16.00 to \$24.00. The Company also proposed to change and modify certain routes and route schedules in the Columbia and Charleston areas. Other schedule and tariff changes were proposed and will be discussed herein. The Company's Application was filed pursuant to S.C. CODE ANN. §58-5-240 (1976, as amended) and R.103-830 et seq. of the Commission's Rules and Regulations.

The Commission's Executive Director instructed the Company to cause to be published a prepared Notice of Filing and Hearing once a week for two consecutive weeks in newspapers of general

circulation in the affected area. The Notice of Filing and Hearing indicated the nature of the Company's Application and advised all interested parties desiring to participate in the proceeding of the manner and time in which to file the appropriate pleadings. The Company was likewise required to post the Notice of Filing and Hearing in all ticket outlets, on the fare boxes of all the coaches and in at least one other conspicuous place on the coaches, and allow the driver of each coach to provide each rider a copy of the Notice of Filing and Hearing. Thereafter, the Company furnished affidavits demonstrating that the Notice of Filing and Hearing had been duly published in accordance with the instructions of the Executive Director.

Petitions to Intervene were filed on behalf of the Consumer Advocate for the State of South Carolina (the Consumer Advocate), the Women's Shelter, Palmetto Legal Services, South Carolina Legal Services Association (Legal Services), Dr. John C. Ruoff and South Carolina Fair Share, Columbia Council of Neighborhoods (the Council), and the City of Columbia. Ms. Mamie Jackson requested, and was granted leave to intervene out of time.

A prehearing conference was held on May 22, 1992 in the Offices of the Commission. Thereafter, pursuant to notice duly provided in accordance with applicable provisions of law, and with the Commission's Rules and Regulations, a public hearing relative to the matters asserted in the Company's application was commenced on May 7, 1992 in Charleston. The hearing continued in Columbia on May 20, 1992, May 27 through May 28, 1992, June 2 through June 5,

1992, and June 23, 1992. South Carolina Electric & Gas Company was represented by Patricia T. Smith, Esquire, and Randolph Mahan, Esquire. The Intervenor, Consumer Advocate for the State of South Carolina, was represented by Steven W. Hamm, Esquire, and Carl F. McIntosh, Esquire. The Intervenor, the Women's Shelter, was represented by Robert Guild, Esquire, and William Hines, Esquire. The Intervenor, Palmetto Legal Services, was represented by Marsha Mason, Esquire. The Intervenor, South Carolina Legal Services Association, was represented by Susan Berkowitz, Esquire. The Intervenor, John C. Ruoff, appeared pro se. The Intervenor, Columbia Council of Neighborhoods, was represented by Robert Guild, Esquire. The Intervenor, City of Columbia, was represented by James Meggs, Esquire, and Tom Ellenberg, Esquire. The Intervenor, Mamie L. Jackson, appeared pro se. The Commission Staff was represented by F. David Butler, Staff Counsel.

Members of the public were given the opportunity to present their views on SCE&G's Application in Charleston, South Carolina, on May 7, 1992, and in Columbia, South Carolina on May 20, 1992 and at the beginning of the evidentiary hearing on May 27, 1992.

South Carolina Electric & Gas Company presented the testimony of Bruce D. Kenyon, Jimmy E. Addison, Donald N. Tudor, and Johnny Kinloch. The Intervenor, Consumer Advocate, presented the testimony of Philip Miller and of Sheldon Crum, who was subpoenaed by the Consumer Advocate. The Women's Shelter presented the testimony of Kathy Riley. In addition, the testimony of Dorothy Chisholm, Thelma Johnson and Mildred Maschak was stipulated into

the record by agreement of all parties on behalf of the Women's Shelter. Additionally, the Intervenor Women's Shelter, Palmetto Legal Services, South Carolina Legal Services Association, and Columbia Council of Neighborhoods presented joint witnesses. The testimony of Robert R. Brown, George Smith, Lisa Hill, David Reeves, Peg Jennings, Debra Keitt, William C. Mills, William Ballou, and Nancy Barton was prefiled with the Commission. Brown, Smith, Reeves, Jennings, Ballou, and Barton testified before the Commission. The testimony of Hill, Keitt and Mills was stipulated into the record by the agreement of parties. Subpoenaed joint witnesses presented by the above-mentioned Intervenor were Mary Frances Payton, Darlene Preston, Harrison Marshall, Jr. and Temple Ligon. In addition, Company witness Donald Tudor was under subpoena by the above-stated intervenors. Statements were presented to the Commission by the Intervenor City of Columbia and Mamie Jackson. The Commission Staff presented the testimony of Maria Walker, Public Utilities Accountant, and Robert McMillan, Chief - Transportation Rates, Transportation Division.

## II.

### FINDINGS OF FACT

Based upon the Application, the testimony and exhibits received into evidence at the hearing and the entire record of these proceedings, the Commission now makes the following findings of fact:

1. SCE&G is a public utility operating in the central and southern areas of South Carolina, where, in the course of its

business, it provides passenger coach service to passengers in and around the cities of Columbia and Charleston, South Carolina.

2. The Company is a wholly-owned subsidiary of SCANA Corporation.

3. SCE&G's passenger coach operations are subject to the jurisdiction of the Commission pursuant to S.C. CODE ANN. §58-5-10 et seq., (1976, as amended).

4. The Company, by its Application, is seeking an increase in its passenger coach rates and charges of \$1,653,169.

5. The test year period for the purposes of this proceeding is a twelve month period ended December 31, 1991, adjusted for certain known and measurable changes.

6. The appropriate operating revenues for SCE&G for the test year under present rates, and after accounting and pro forma adjustments are \$3,868,804.

7. The appropriate operating revenues under the approved rates are \$8,293,222, which reflects an authorized increase in operating revenues of \$977,057 and the inclusion of \$3,447,361 in Urban Mass Transit Administration (UMTA) (now known as Federal Transit Administration or FTA) funds.

8. The appropriate operating expenses for the Company's passenger coach operations for the test year under its present rates and after accounting and pro forma adjustments are \$12,331,621.

9. The appropriate operating expenses under the approved rates are \$12,334,552.

10. The Company's appropriate level of net operating income for return after accounting and pro forma adjustments is (\$5,015,456). The appropriate net income for return under the rates approved and after all accounting and pro forma adjustments is (\$4,041,330).

11. SCE&G's total rate base for the test year, after accounting and pro forma adjustments, and after the approved increase is \$1,221,165 on its passenger coach operations.

12. The rate designs, rate schedules, and service regulations approved by the Commission and the modifications thereto as described herein are appropriate and should be adopted for service on and after October 5, 1992. (See Appendix A.)

13. The route changes as applied for by the Company are unjust and unreasonable and must be rejected.

14. The Intervenor recommendations as listed and approved by the Commission are appropriate and should be adopted as listed.

15. The Motion of the intervenors to deny the relief sought in the Application based on the failure of the Company to carry its burden of proof must be denied in part.

### III.

#### EVIDENCE AND CONCLUSIONS

##### EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 1, 2, AND 3

The evidence supporting these findings concerning the Company's business and legal status is contained in the Company's verified Application and in prior Commission Orders in the Docket files, of which the Commission takes notice. These Findings of

Fact are essentially informational, procedural, and jurisdictional in nature, and the matters which they involve are essentially uncontested.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 4 AND 5

The evidence for these findings concerning the amount of the revenue increase requested by the Company and the test period is contained in the verified Application of the Company and the testimony and exhibits of SCE&G witness Addison.

On March 12, 1992, the Company filed an Application requesting approval of rate schedules designed to produce an increase in gross revenues of \$1,653,169. The Company's filing was based on a test period consisting of the 12 months ending December 31, 1991. The Commission Staff and the parties of record herein likewise offered their evidence generally within the context of that same test period.

A fundamental principle of the ratemaking process is the establishment of a test year period. The reliance upon the test year concept, however, is not designed to preclude the recognition and use of other historical data which may precede or postdate the selected twelve month period.

Integral to the use of an average year, representing normal operating conditions to be anticipated in the future, is a necessity to make normalizing adjustments to the historic test year figures. Only those adjustments which have reasonable and definite characteristics, which tend to influence reflected operating experience are made to give proper consideration to

revenues, expenses and investments. Parker v. South Carolina Public Service Commission, et al., 280 S.C. 310, 313 S.E. 2d 290 (1984). Adjustments which may be allowed for items occurring in the historic test year, but which will not recur in the future; or to give effect to items of an extraordinary nature by either normalizing or annualizing such items to reflect more accurately their annual impact; or to give effect to any other item which should have been included or excluded during the historic test year. The Commission finds the twelve months ending December 31, 1991 to be the reasonable period for which to make our ratemaking determinations herein.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 6 AND 7

The evidence for the findings concerning the adjusted level of operating revenues is found in the testimony and exhibits of Company witnesses Addison and Kinloch, Consumer Advocate witness Miller and Staff witnesses Walker and McMillan. During the hearing, a point of discussion was the impact of UMTA (or FTA) funds on the Company's operating revenues and proposed fare increase. Company witnesses Jimmy Addison and Johnny Kinloch explained how such funds are applied for and received. TR. Vol. 7, pp. 26-32; Vol. 11, pp. 71-74, 85. Through government entities (the City of Charleston for the Charleston area operations and the Central Midlands Regional Planning Council for the Columbia area operations), the Company is eligible to receive federal operating assistance in the form of grants. The Company can receive, through these government entities, a published available grant amount if

the Company's losses are at least twice that available grant amount. In other words, grant monies are available on a one:two basis, i.e., for each \$2.00 of operating losses, \$1.00 of federal grant money was available, up to a maximum published grant amount. TR. Vol. 7, p. 28. The funds received for the Charleston operations were split, with the City of Charleston retaining one-half of those funds per an agreement with the Company for the City to provide the DASH downtown area shuttle service and the handicapped services. TR. Vol. 7, p. 27. The Company testified that they are making every effort to secure all available FTA operating funds to help defray losses, but not those for capital investment.

The Company and Staff used a methodology to account for the impact of FTA operating funds by which all funds received since 1985 were added together. Then they were divided by ten, representing the ten years from 1981 to 1990 associated with the losses. Thus, a normalized yearly average grant amount of \$1,670,480 to assist in reducing losses was derived. TR. Vol. 7, p. 26. The Consumer Advocate's witness, Philip E. Miller, suggested that the Company's proposal underestimates the amount of FTA funds which should be included in operating revenues TR. Vol. 12, p. 95. Mr. Miller proposes a make-whole concept. His methodology considers the differences between the total grant revenues received through the end of the test year and the total grant revenues built into rates through the end of the test year. To this amount has been added the Company's estimate of the grant

revenues it expects to receive during the test year. Miller's adjustment is \$3,447,361.

The Commission adopts the Consumer Advocate's method and adjustment. The Commission believes that if the Consumer Advocate's position is not adopted, the Company will never be required to recognize the additional grant revenues that it has received, and in effect, these funds become a windfall stream of revenue to the Company. TR. Vol. 12, pp. 112-114. The Commission believes that the Consumer Advocate's recommendation simply results in the matching of the grant revenues received and the grant revenues recognized in the ratemaking process. In this manner, both the consumers and the stockholders are treated fairly, because under the make-whole concept, neither party receives an advantage. Based on the determination of a 75¢ fare in the Evidence and Conclusions For Findings of Fact No. 12, the Company's operating revenues after the increase are \$8,293,222.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 8 AND 9.

The Company, the Consumer Advocate, and the Commission Staff proposed certain adjustments to operating expenses which were included in their testimony and exhibits. This Order will discuss in detail only those accounting and pro forma adjustments which represent differences in regulatory treatment of the respective items and only as they pertain to the Company's passenger coach operations.

The Consumer Advocate proposes to amortize the consulting services of Donald Tudor and Associates and Wilbur Smith

Associates, Incorporated over a five year period. This would require an adjustment of (\$115,832). The testimony of Consumer Advocate witness Miller showed that during the test year, \$152,633 of the total contractual amounts of \$184,005 was included in the test year operating expenses. Consumer Advocate witness Miller testified that the outside services provided by Tudor and Smith are abnormally high, and that they should be amortized over a reasonable period of time in order that the ratepayers rates are based upon expenses that can normally be expected to be incurred on an ongoing basis. Also, Miller testified that these expenses could be considered to be rate case costs and as such deserve to be amortized. TR. Vol. 12, p. 9. Upon cross-examination, Staff witness Walker stated that she had no objection to such an adjustment.

Company witness Addison agrees that the Company does not typically retain consulting firms such as Donald Tudor and Associates to conduct studies such as the one they conducted on an annual basis. TR. Vol. 7, p. 4. Company witness Addison also agrees in concept that an amortization of these expenses is in order. However, Mr. Addison believes that the amortization should not be made unless other types of adjustments are made. TR. Vol. 7, p. 41. The Consumer Advocate believes that the adjustment is clearly warranted and, therefore, should be accepted. Further, witnesses for both the Company and the Staff agree in principle with the adjustment. Therefore, the Consumer Advocate's adjustment of (\$115,832) is hereby accepted. Hearing Exhibit 12, Schedule 2.

The Staff proposed to reduce operation and maintenance expense for incentive pay which was paid during the test year. This would require an adjustment of (\$20,940). Staff makes this adjustment recognizing Commission precedent in Order No. 92-30, issued January 22, 1992 in Docket No. 91-141-G, a Piedmont Natural Gas case. In that Order, the Commission found that there was not evidence to support the incentive pay program, which was carried out during the test year period. In this case, the Commission believes that even though SCE&G furnished some evidence, the Company failed to furnish sufficient evidence to establish a ratepayer benefit in order to support its incentive pay program and, therefore, believes that the Staff adjustment is appropriate in keeping with the Commission's prior Piedmont gas order. See, TR. Vol. 15, p. 72.

The Staff and Consumer Advocate proposed to reduce operation and maintenance expenses for the portions applicable to employee clubs, as ordered by the Commission. An adjustment of (\$22,319) is proposed. The Consumer Advocate states that consistent with the Commission's decision in the Company's last coach case, as well as with its decision in the Company's electric and gas proceedings, the Consumer Advocate recommends that the Commission eliminate these recreational facilities as well as the associated expenses from the cost of service in this proceeding. TR. Vol. 12, p. 98. Staff makes a similar recommendation. See Report of the Accounting Department at p. 8-10, Hearing Exhibit No. 19. Upon examination of the evidence, the Commission finds no ratepayer benefit from such employee clubs and, therefore, adhering to its past precedent,

adopts the Staff and Consumer Advocate adjustment. In addition, the Staff and Consumer Advocate proposed to reduce depreciation expense associated with employee clubs in the amount of (\$372). Staff also proposes to reduce expenses for recreational activities, service awards and other programs considered to be of a charitable or recreational nature. This would require an (\$11,586) adjustment. For the reasons stated above, i.e. no ratepayer benefits shown, both of the adjustments proposed by the Staff and the Consumer Advocate are hereby adopted.

The Staff proposes to reduce expenses associated with Common Plant for that portion applicable to subsidiary companies. Staff's adjustment used the December 31, 1989 cost study, less the cost of capital. A (\$729) adjustment is proposed. Since subsidiary company expenses should not be included in the present case concerning SCE&G, the Commission believes that this adjustment should be adopted.

The Staff and the Company both propose to amortize the expenses associated with the current rate case over a three-year period and recommend an \$18,597 adjustment. Amortization of such expenses is an appropriate ratemaking procedure and benefits the ratepayers, since it spreads the amount of the expenses out over a period of time. This treatment minimizes ratepayer payments in any one given year's period. The Commission believes that this is a reasonable goal, and therefore, the Commission adopts this adjustment.

Staff and the Company propose to eliminate negative income

taxes. This would require an adjustment of \$3,323,700. This has been standard Commission policy in the past, and makes sense from a ratemaking standpoint, since negative income taxes should never be included in operating and maintenance expenses of a Company for ratemaking purposes. Therefore, the Staff and Company adjustment is adopted.

Staff proposes to eliminate officer's salary increases which occurred during the test period consistent with a previous order, Order No. 87-1394, issued in Docket No. 87-332-T, concerning this Company. An adjustment of (\$8,340) is proposed. The Commission believes that, due to the present recession and accompanying poor economic conditions, this Commission should not recognize any salary increases proposed by the Company for policy reasons. Therefore, the Staff's adjustment is approved and adopted.

The Staff and the Company propose to record the effect of the proposed increase. The Staff and Company originally proposed an adjustment of \$1,653,169 to operating revenue and \$4,960 to record the effect of the gross receipts tax on the increase. Due to our holding that the Company is only due an increase of \$977,057, the Commission holds that, in order to record the effect of the proposed increase, the adjustment of \$977,057 should be made to operating revenues, and an adjustment of \$2,931 should be made to record the effect of the gross receipts tax on the increase. This is reasonable accounting practice and the Commission adopts these adjustments.

Finally, the Staff and Company originally proposed to show the

effect of the proposed elimination of service hours by recommending an adjustment of (\$1,687,750). Since the Commission rejects the elimination of any service hours, this adjustment is rejected.

The Commission has considered all other adjustments to or treatment of revenues, expenses, or rate base items proposed by the Staff in its presentation and the other parties not specifically addressed herein to which no party objected thereto, and have found the adjustments fair and reasonable, and adopted same for purposes of this proceeding. All other adjustments proposed by any party inconsistent therewith have been reviewed and found to be unreasonable or inappropriate for ratemaking purposes, and are hereby denied.

The Commission will adjust general taxes, state and federal income taxes to reflect all adjustments herein approved.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 10

Based on the Commission's determinations concerning the accounting and pro forma adjustments to the Company's revenues and expenses, net income for return, both before and after the approved increase in the Company's revenues, as found by the Commission, is illustrated in the following table:

TABLE A

NET INCOME FOR RETURN

BEFORE RATE INCREASE

Operating Revenues	\$ 7,316,165
Operating Expenses	12,331,621
Net Operating Income	<u>\$(5,015,456)</u>
Income Taxes	-0-
Net Income for Return	<u>\$(5,015,456)</u>

AFTER RATE INCREASE

Operating Revenues	\$ 8,293,222
Operating Expenses	12,334,552
Net Operating Income	<u>\$(4,041,330)</u>
Income Taxes	-0-
Net Income for Return	<u>\$(4,041,330)</u>

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 11

The evidence supporting the finding concerning the proper items to be included in the Company's rate base can be found in the exhibits and testimony of Company witness Addison, Consumer Advocate witness Miller and Commission Staff witness Walker.

The rate base, as allocated or assigned directly to the Company's passenger coach operations, is composed of the value of the Company's property used and useful in providing passenger coach service to the public, plus construction work in progress, materials and supplies, an allowance for cash working capital and prepayments. The rate base computation incorporates reductions for the reserve for depreciation and amortization, accumulated deferred income tax (liberalized depreciation), injuries and damages, and average tax accruals. In accordance with its standard practice,

the accounting department of the Administration Division of the Commission conducted an audit and examination of the Company's books and verified all account balances from the Company's general ledger, including rate base items, with plant additions and retirements. On the basis of this audit, the pertinent hearing exhibits, and the testimony contained in the record of the hearing, the Commission can determine and find proper balances for the components of the Company's rate base as well as the propriety of related accounting adjustments, if any.

For ratemaking purposes, this Commission has traditionally determined the appropriate rate base of the affected utility as of the end of the test period. This Commission's determination of the utility's rate base on a "year end" basis, likewise serves to enhance the timeliness of the effect of such action, and preserves the reliance on historic and verifiable accounts without resort to speculative or projected figures. Consequently, the Commission finds it most reasonable to retain its consistent regulatory practice herein, and evaluate the issues of this proceeding founded on a rate base of Company's coach operations as of December 31, 1991.

The Commission's determinations relative to the Company's rate base for its coach operations appear in the paragraphs below.

The Commission has traditionally used the regulatory accounting methodology recognized as "original cost less depreciation" in the determination of the value of utilities' plant in service. The record of the instant proceeding presents no

justification for departure from this methodology which was used by the Staff in calculating the Company's gross plant in service per books of \$4,099,785 for its coach operations. As explained below, Staff proposed to transfer completed CWIP to plant-in-service in the amount of \$25,422 to reflect common plant allocated to the Company's coach operations. With that adjustment and the Commission's previous approved adjustments relating to employee clubs and plant applicable to other subsidiaries to the SCANA Corporation, the Commission finds that the proper amount to be included in the Company's rate base for plant-in-service after a proper allocation is \$4,096,389 as allocated to passenger coach operations which the Commission finds fair and reasonable.

In determining the proper rate base for utilities, the Commission uses the gross plant-in-service dedicated to providing public services reduced by the reserve for depreciation and amortization. The reserve represents that portion of the utility's depreciable properties which have been consumed by previous use and recorded as depreciable property. "Per books" reserved for the Company's coach operations was \$2,732,726. Consequently, in light of the adjustment previously approved, the reserve for depreciation and amortization becomes \$2,724,987 after allocation to coach operations.

The gross plant in service of \$4,096,389, less a reserve for depreciation and amortization of \$2,724,987 results in a net plant-in-service for the Company's coach operations of \$1,371,402.

The Staff and Consumer Advocate propose to adjust gross plant

in service for plant related to employee clubs, which are considered non-allowable for ratemaking by this Commission. An adjustment of (\$15,179) is proposed. Again, since the Company showed no real benefit to the ratepayers, the Commission approves this adjustment.

In keeping with the above adjustment, Staff and Consumer Advocate proposed to eliminate accumulated depreciation reserve for plant applicable to employee clubs. For the reasoning stated above, this adjustment in the amount of (\$3,321) is approved.

The Staff proposes to transfer completed construction work in progress to plant-in-service. This would require an adjustment of \$25,422 to gross plant-in-service and (\$25,422) to CWIP. Since this is consistent with good accounting principles, the transfer is appropriate and the adjustment is hereby approved. Staff proposes to reduce gross plant-in-service for plant applicable to other subsidiaries of the SCANA Corporation. Staff proposes an adjustment of (\$13,639). Again, plant-in-service for plant applicable to other subsidiaries of the SCANA Corporation is inappropriate for consideration by this Commission in a ratemaking proceeding limited to the transit and coach operations of SCE&G. Therefore, the adjustment is approved.

Staff proposes to adjust accumulated depreciation reserve for plant applicable to other subsidiaries of the SCANA Corporation and proposes an adjustment of (\$4,418). Again, since amounts related to subsidiaries should not be applicable in an SCE&G case, this adjustment is appropriate and is hereby adopted.

The reasonable and necessary cost of construction of utility plant not yet in service may be considered as a proper rate base item. Such costs are described as "construction work in progress" hereinafter called (CWIP). The per books CWIP prior to any adjustments was found to be \$96,369. As was stated above, Staff proposed to transfer completed CWIP to plant and service which requires an adjustment of (\$25,422) to make a net CWIP amount of \$70,947. The Commission has traditionally considered materials and supplies to be a proper item to be included in the coach utility's rate base. The Company's per books materials and supplies for its coach operations amounted to \$574,525. An adjustment of (\$5,312) was proposed by Staff to reduce materials and supplies for diesel fuel which would be more appropriately assigned to other areas of the Company. This adjustment is hereby adopted making for a net materials and supplies figure of \$569,213. No adjustments were made to the Company's rate base regarding prepayments, accumulated deferred income taxes, injuries and damages, or average tax accruals. However, rate base already includes prepayments in the amount of \$15,216, accumulated deferred income taxes in the amount of (\$349,974), the injury and damages reserve in the amount of (\$195,292), and average tax accruals in the amount of (\$260,347). A total of (\$26,391) is an appropriate amount to be deducted from the rate base attributable to the Company's coach operations.

The Company's rate base for its passenger coach operations herein adjusted and determined by the Commission to be appropriate for the purposes of this proceeding is set forth in the following

table:

TABLE B  
ORIGINAL COST RATE BASE  
Passenger Coach Operations  
December 31, 1991

Gross Plant-in-Service	\$4,096,389
Reserve for Depreciation and Amortization	(2,724,987)
Net Plant	<u>1,371,402</u>
Construction Work in Progress	70,947
Materials and Supplies	569,213
Prepayments	15,216
Accumulated Deferred Income Taxes	(349,974)
Injuries and Damages	(195,292)
Average Tax Accruals	<u>(260,347)</u>
TOTAL RATE BASE	<u>\$1,221,165</u>

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 12

The evidence for this finding concerning rate schedules and service regulations is found in the testimony and exhibits of Company witness Kinloch and Commission Staff witness McMillan, the numerous witnesses testifying on behalf of the Intervenors and the public witnesses.

During the course of the hearing, the Commission heard testimony from witnesses who utilized the Company's coach service. These witnesses' testimony included discussion of the adverse impact that the proposed fares would have on them. Additionally, testimony from various public assistance agencies maintained that the proposed increase would not only have a negative effect on their clients, but also on the budgets of these agencies and their ability to provide bus fare for their clients to go to job interviews, receive medical services and other necessary travel. In addition, some of these witnesses complained of unclean buses, late

buses, buses departing early and other schedule problems.

Staff witness McMillan rode buses in both Columbia and Charleston. He was able to observe almost every bus route in the two city bus systems. All of the buses he rode were relatively clean and in good condition. All of the buses kept fairly close to their routes and time schedules. However, McMillan found route maps or schedules on only 6 of the 27 buses that he rode.

The Commission Staff will continue to make periodic inspections not less than every six months, of the service being provided by the Company. As previously ordered in the last rate order, Order No. 87-1394, these inspections will include the Staff members checking cleanliness, timeliness, and drivers' attitude. Further, fare signs and passenger rights signs should be uniformly posted on all buses. All buses in Charleston and Columbia should have maps and schedules available for riders; and finally, at all transfer points in Charleston and Columbia, a system map and schedule should be prominently displayed. Written reports of the results of such inspections will be filed with the Commission. The Commission will thereby monitor the service being provided by the Company.

As noted previously, the proposed schedule of coach fares and charges would have produced additional revenues of \$1,653,169 had they been in effect the twelve month period ending December 31, 1991. The Company proposed an increase in the cash fare from 50¢ to 75¢ for a one-way ride and an increase in the elderly and handicapped fare from 25¢ to 35¢ for a one-way ride. The

Commission recognizes that even if the proposed increase had been in effect for the twelve month period ending December 31, 1991, the Company's coach operations would have resulted in a loss. The Commission would point out that even though the proposed fares would result in a loss, the Company's franchise to provide coach service is inseparable from its electric franchise. See, Broad River Power Company v. South Carolina Ex. Rel. Daniel, Attorney General, 281 U.S. 528 (1930). Company witness Kenyon testified that the Company should not continue to be forced to operate under its present financial circumstances.

The Commission must balance the interest of the Company and that of its investors with that of the consumers. Although the Commission is of the opinion and so finds, that the present fare for one-way rides should be increased from 50¢ to 75¢, the Commission believes that the elderly and handicapped fare should remain at 25¢. The elderly and handicapped fare shall be available to elderly individuals sixty-five (65) years of age or older and handicapped individuals between the hours of 9:00 a.m. through 3:30 p.m. and after 6:00 p.m. Elderly individuals should present Medicare cards or other identification of age upon boarding the bus. Handicapped individuals should present the SCE&G identification card upon boarding the bus.

The Company proposed an increase in the price of a ten ride (10-ride) coupon card from \$4.50 to \$6.75. Likewise the Company proposed an increase in the forty ride (40-ride) coupon card from \$16.00 to \$24.00. The Commission believes that this proposed

increase is unjust and unreasonable, but hereby approves an increase in the ten ride card from \$4.50 to \$6.00 and an increase in the price of the forty ride card from \$16.00 to \$21.00. This will help reduce the loss to the Company, while allowing regular riders to benefit from volume purchase. The proposed zone charges and establishment of zones is hereby denied. This Commission, in our Order No. 87-1394 in Docket No. 87-332-T, found that eliminating zone charges at that time was an effort to minimize passenger confusion, reduce administrative costs, and promote efficiency in coach operations. The Commission finds that these reasons are still applicable to the present case and feels that passenger confusion would increase, administrative costs would increase, and efficiency in the coach operations of the Company would decrease if zones and zone charges were instituted. The Commission therefore denies the Company's proposal to add zones and accompanying zone charges.

Also in Order No. 87-1394, the Commission directed the Company to provide to requesting low income persons and service providers, discount tickets at 40¢ per ride and the Company was required to absorb the printing cost of the tickets. The Company has not applied to change this policy or this rate in its present Application. Therefore, the 40¢ per ride fare to requesting low income persons and service providers will continue in effect. The Commission Staff is hereby directed to investigate and develop a proposal to this Commission for the provision of 40¢ per ride fare to requesting low income persons. The Company shall continue

to issue 40¢ per ride tickets to service providers.

All rates as stated above and additional service regulations are hereby summarized in Appendix A to this Application. The new rates, as described above, shall become effective October 5, 1992 in order to provide appropriate notice to the riders. This increase shall be preceded by two (2) weeks notice, in the form of postings of Notice at transfer points and on buses, and drivers providing the riders with notices. Further, existing ten and forty ride cards already purchased by customers should be continued to be honored for a period of sixty (60) days from October 5, 1992. The Commission believes that the Company's present policy of allowing children under six to ride free on the bus if accompanied by a fare paying customer, as stated in Order No. 87-1394, should continue.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 13

Evidence for this finding concerning the Company's proposed routes and route schedule changes is found in the testimony and exhibits of Company witnesses Tudor and Kinloch, Commission Staff witness McMillan and the numerous witnesses testifying on behalf of the Intervenors and the public witnesses.

There is an outstanding evidentiary objection to Company witness Tudor's testimony and exhibits, based on lack of competence and on hearsay grounds. The Commission has considered this matter and believes that this objection must be overruled. Women's Shelter attorney Guild argues that Tudor developed the route information presented to the Commission and to the committees and is now attempting to present studies which purport to be the

results of committee findings by citizen committees in Columbia and Charleston, but which are actually materials presented by Donald Tudor. Further, Guild notes that the committee deliberations are out-of-court statements offered to prove by the Company the validity of the route changes proposed by witness Tudor. First, the Commission would state that Company witness Tudor is competent to present the testimony. Tudor was present at the times that the committees deliberated and developed their materials and reports. Therefore, his presentation of that evidence to this Commission is competent, but not hearsay. The objections are therefore overruled. Tudor's testimony shall be entered into the record as if given orally from the stand, and Tudor's exhibits shall be admitted into the evidence as Hearing Exhibit No. 10.

Even so, however, it strikes this Commission that Tudor's testimony and exhibits are fraught with difficulties. First of all, Tudor's testimony and exhibits were based upon on-board ridership surveys conducted by Wilbur Smith Associates and CGA Consulting Services, Inc. Tudor, TR. Vol. 11, pp. 3-4. Hearing Exhibit 10 DNT-4. These studies purport to show the number of persons riding each bus during half hour segments throughout the day. Each operating route segment was surveyed on one weekday, a Saturday, and a Sunday. See, Tudor, TR. Vol. 8, pp. 47-52. This survey methodology is intended to look like a reasonable sample and the number of routes covered appears impressive. However, the methodology employed produces a sample size of one for each of the several hundred routes. With a sample size of one, this Commission

has no idea of the variability of bus ridership on a particular route at a particular time. The confidence interval is infinitely large. Therefore, the reliability of the results presented is highly questionable.

Second, Tudor has asserted a standard of twenty passengers per hour allegedly used by Winston-Salem, North Carolina, to be the threshold to determine which route or runs within a route should be eliminated. (See testimony of Tudor, TR. Vol. 8, p. 16, TR. Vol. 10, p. 92, TR. Vol. 11, p. 40). No evidentiary basis is presented for this figure. Further, an examination of routes proposed for elimination shows that many of said routes contain ridership greater than twenty passengers per hour in both Columbia and Charleston. Further, both transportation planners Sheldon Crum of CGA Consulting Services, Inc. (a subpoenaed Consumer Advocate's witness) and Harrison Marshall, Jr. of the City of Columbia, (a joint intervenor subpoenaed witness) questioned witness Tudor's reliance on riders per hour standards for eliminating service. Both witnesses testified that a twenty rider figure is too simplistic and that multiple factors should be considered in proposing to eliminate routes. In addition, the Commission notes that there is only one alternative bus route available for use by the public if this Commission approves the requested change in routes and route schedules in the City of Columbia.

All in all, the Commission does not find the testimony of Company witness Tudor to be credible. Also, the Commission holds that the testimony of Company witness Kinloch alone is insufficient

to support the route changes requested by the Company. For the reasons stated above, we must, therefore, reject the route changes and route schedule changes proposed by the Company. The Company must continue to provide service on routes and schedules presently in place. It should be noted that even though the Commission is denying changes in routes and route schedules at this time, the Company may come back at a later time and apply for changes in individual routes and route schedules, as per Commission procedure.

With regard to the Company's application as it affects the DART system, after hearing the testimony of the various witness, the Commission hereby requires the Company to maintain the existing DART service, including all areas presently covered. Further, if fragment bus route changes on regular bus runs are presented to this Commission for change or diminution in the future, the Commission holds that any approved route changes will not affect the DART coverage as presently established.

Further, the Company is hereby enjoined from eliminating any of the DART services which it currently provides unless and until it applies to the Commission for permission to do so and provides a sound basis in accordance with accepted transportation planning principles for deleting these much needed services.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 14

The intervenors in the case made numerous recommendations, some of which have already been considered, but many of which shall be considered herein below. First, several of the intervenors recommend that the Commission require SCE&G to retain independent

transit expertise to identify needed service improvements and show cause why such improvements should not be promptly implemented. The Commission agrees with this recommendation, and hereby orders the Company to retain independent transit expertise to identify needed service improvements and to show why such improvements should not be promptly implemented. This Commission retains the right to approve the Company's selection of such an expert, and said expert shall be chosen by the Company within ninety (90) days of the date of this Order and his credentials shall be submitted to the Commission for approval.

Intervenor Mamie L. Jackson requests that the Commission order a rebate of bus fares to the existing rate before the last increase. The Commission believes that this is inconsistent with ratemaking procedures in that it would constitute retroactive ratemaking, and hereby denies the proposal.

The Consumer Advocate recommends that the Commission require SCE&G to seek additional sources of revenue, i.e., state funding and FTA funds for capital improvements. According to the Consumer Advocate, there is state funding available that the Company can secure with the assistance of its relationships with the City of Charleston, as well as with the other communities in which it operates the bus system. The Committee reports as well as Company witness Tudor, acknowledge that the Company has not sought the state funding and that it should apply for the same. TR. Vol. 8, p. 23-25. Second, there are funds available from the Federal Transit Administration for capital improvement funds for bus

purchases, facility construction, land purchase, facility renovation, bus renovation, service vehicle purchase, passenger amenity facilities and numerous other capital needs that a bus system might have. Yet despite these funds being available since 1968, the Company has never applied for them. TR. Vol. 8, pp. 57-59. The Commission believes that the Company should seek out all possible funding of these types that is available. Additional funding will further reduce the Company's losses, and will greatly benefit the public, since such funds will be used to improve the existing system and facilities. The Company is hereby ordered to seek additional sources of revenue through state funding, FTA funds for capital improvements, and whatever additional sources of funding may be available.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 15

At the close of the evidence, Women's Shelter and Columbia Council of Neighborhood attorney Robert Guild moved to deny the relief sought in the Application, based on the failure of the Company to carry its burden of proof. Guild was joined by all other intervenors in the case in this Motion. The Commission has thoroughly examined the evidence in the record of the case and believes that, at least with respect to the Company's request for an additional 25¢ fare for a one-way ride, the Company has carried its burden of proof. As stated above, however, the Company has not carried its burden of proof with regard to the proposed route changes. Because of this reasoning, the Motion to deny the relief sought in the Application must be denied with regard to the 25¢

fare increase, but granted with respect to the routes and route schedule changes, because of the reasoning stated above.

IT IS THEREFORE ORDERED THAT:

1. The rates and charges as stated above and as included in Appendix A to this Order and all service regulations that appear in Appendix A are hereby adopted and shall be effective on and after October 5, 1992. The Company shall provide advance notice of these rates and charges to the riders as stated above.

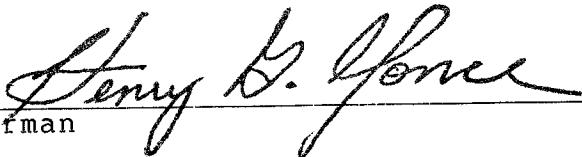
2. That, within ten (10) days of the date of this Order, the Company shall file a tariff reflecting these rates, charges, and service regulations.

3. That the route and route schedule changes as proposed by the Company are denied.

4. That the recommendations of the Intervenors as stated above are adopted as indicated above.

5. That this Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION

  
Chairman

ATTEST:

  
Executive Director

(SEAL)

ITEM 7

The elderly fare is available to elderly individuals 65 years of age or older. Elderly individuals must present MediCare cards or other identification of age upon boarding bus. The handicapped fare is available to individuals who present the SCE&G handicapped identification card upon boarding the bus. Applications for certification and handicapped identification cards are available at the Company's Columbia and Charleston transit offices during normal business hours.

ITEM 8

Passengers are subject to the Public Transportation Passenger Rights Act of the Code of Laws of South Carolina, Article 17 in Chapter 23 of Title 58.

ITEM 9

Children under six years of age ride free with fare paying passenger.

ITEM 10

Cash Fare (one way ride)	\$ .75
Transfer	No Charge

ITEM 11

Elderly and handicapped fare (one way ride)	\$ .25
Transfer	No Charge
(Between 9:00 AM - 3:30 P.M. and after 6:00 P.M.)	

ITEM 12

Discount Fares:	
10 Ride Card	\$ 6.00
40 Ride Card	\$21.00
Low Income and Service Provider Fares	
One way ride	\$ .40

Item 1

SCE&G is required by City ordinance to provide transit service within the City of Charleston through the year 1992, unless extended, and is required to provide transit service within the City of Columbia pursuant to S.C. Code, 1976, S 58-27-120.

ITEM 2

Passengers will be transported by the Company only upon payment of exact fare, presentation of a valid transfer, presentation of a valid discount card or presentation of a ticket provided by certain Social Service Agencies. No cash will be given to any passenger. Passengers not having the exact fare or a valid pass may request from the coach operator a receipt in lieu of cash change for amounts of change of 10¢ or more, which receipt shall be redeemable in cash within 60 days thereafter upon presentation at the office of the Company in person during normal business hours. Passengers with more than the exact fare, who elect not to receive a receipt, may ride but will not receive change.

ITEM 3

Passengers are required to have the exact fare in cash, discount card or ticket. Discount cards may be purchased at designated Metropolitan Columbia and Charleston business offices during normal business hours.

ITEM 4

Transfers will be honored only at the first connecting point of the coach routes involved.

ITEM 5

All routes and time schedules may be adjusted in accordance with passenger demand and economies with approval using current Commission procedures.

ITEM 6

Special fares for irregular or specific event type service will be established by the Company in accordance with passenger demand and economies.